

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND

AMERICAN BIOPHYSICS CORPORATION, :
Plaintiff, :
 :
v. : CA 03-334L
 :
BLUE RHINO CORPORATION, :
Defendant. :

REPORT AND RECOMMENDATION

David L. Martin, United States Magistrate Judge

Before the court is Defendant Blue Rhino Corporation's Motion to Transfer ("Motion" or "Motion to Transfer"). This matter has been referred to me for preliminary review, findings, and recommended disposition pursuant to 28 U.S.C. § 636(b)(1)(B) and D.R.I. Local R. 32(a). A hearing was held on December 5, 2003. After listening to oral argument, reviewing the memoranda submitted, and performing independent research, I recommend that Defendant's Motion to Transfer be denied.

Facts and Travel

The Present Action

Plaintiff American Biophysics Corporation ("ABC") is a Rhode Island corporation with a principal place of business in East Greenwich, Rhode Island. See Complaint ¶ 4. Defendant Blue Rhino Corporation ("Blue Rhino") is a Delaware corporation with a principal place of business in Winston-Salem, North Carolina. See id. ¶ 5. ABC filed this action for patent infringement against Blue Rhino on August 8, 2003. See id. ABC contends that Blue Rhino's SKEETERVAC¹ insect

¹ Technically, the SKEETERVAC is designed and sold by Blue Rhino Consumer Products, LLC ("BRCP") and the trademark "SKEETERVAC" is

traps infringe two patents which protect ABC's Mosquito Magnet insect trapping device. See Complaint ¶¶ 20, 24.²

Blue Rhino answered on September 2, 2003. See Docket. It filed a First Amended Answer and Counterclaim on September 22, 2003, which included a counterclaim for non-infringement and invalidity of ABC's patents under the Declaratory Judgment Act, 28 U.S.C. §§ 2201-02. See First Amended Answer and Counterclaim of Blue Rhino Corporation.

The North Carolina Actions

On August 13, 2003, five days after the instant action was commenced, a wholly owned subsidiary of Blue Rhino, Blue Rhino Consumer Products, LLC ("BRCP"), filed an action against ABC in the United States District Court for the Middle District of North Carolina (the "North Carolina federal action") for noninfringement under the Declaratory Judgment Act, 28 U.S.C. § 2201-02. See Plaintiff's Memorandum in Support of Objection to Defendant's Motion to Transfer ("Plaintiff's Mem.") at 2; Memorandum of Defendant Blue Rhino Corporation in Support of Its Motion to Transfer ("Defendant's Mem.") at 2-3; id., Exhibit ("Ex.") 3 (Complaint for

owned by CPD Associates, Inc. ("CPD"). See Memorandum of Defendant Blue Rhino Corporation in Support of its Motion to Transfer ("Defendant's Mem.") Exhibit ("Ex.") 7 ¶¶ 7, 13. BRCP and CPD are both wholly owned subsidiaries of Blue Rhino Corporation ("Blue Rhino"). See Defendant's Mem. at 2; see also id., Ex. 5 (Defendant's Brief in Support of Motion [to] Transfer, Dismiss or Stay) at 1 n.1. CPD is a holding company for Blue Rhino's intellectual property. See id., Ex. 15 (Declaration of Mark Castaneda) ¶ 6. For simplicity, the court here refers to the product as Blue Rhino's SKEETERVAC.

² American Biophysics Corporation's ("ABC's") Mosquito Magnet device is not mentioned by name in the Complaint, but other filings submitted in connection with the instant Motion reflect that the patents allegedly infringed protect this product. See Defendant's Mem., Ex. 4 ¶¶ 5-7, 20-21, 39, 44; id. Ex. 7 ¶¶ 7-9, 11.

Declaratory Relief in North Carolina federal action). That action involves the same two patents at issue here. See Defendant's Mem., Ex. 3 ¶ 15; Complaint, Prayer for Relief.

On August 14, 2003, BRCP and CPD Associates, Inc. ("CPD"), another wholly owned subsidiary of Blue Rhino, filed a complaint against ABC in North Carolina state court for unfair competition, unfair and deceptive trade practices, tortious interference with business relations, and cybersquatting. See Plaintiff's Mem. at 2; Defendant's Mem. at 2; id., Ex. 7. That case involves the same two insect trapping devices at issue here. See Defendant's Mem., Ex. 7 ¶¶ 7-9, 11, 13, 17, 23, 28, 34. ABC removed BRCP's and CPD's state court action to the North Carolina federal court ("the removed North Carolina action") on September 4, 2003, based on federal question and diversity jurisdiction. See id., Ex. 8 (Defendant's Notice of Removal and Statement in Support Thereof) at 4-5, 7-9.

Like their parent, the principal place of business of BRCP and CPD is North Carolina. See Defendant's Mem., Ex. 15 (Declaration of Mark Castaneda) ¶¶ 3, 6. BRCP designs and sells insect traps. See id., Ex. 7 (Complaint in the removed North Carolina action) ¶ 7. CPD is an intellectual property holding company for patents, trademarks, and copyrights. See id., Ex. 15 ¶ 6. Its sole activity is to hold and license those assets. See Defendant's Mem. at 10. The licensees are Blue Rhino, BRCP, and Blue Rhino Global Sourcing. See id., Ex. 15 ¶ 6.

ABC filed an answer and counterclaim in the removed North Carolina court action on September 11, 2003, asserting counterclaims against BRCP and CPD for alleged infringement of the two patents and seeking to cancel CPD's trademark

registration. See Defendant's Mem. at 4; id., Ex. 9 (Answer and Counterclaims of ABC in the removed North Carolina action). Except for the identity of the alleged infringers, ABC's patent infringement claims are mirror images of its patent infringement claims in the present action. See Complaint ¶¶ 20-26; Defendant's Mem., Ex. 9 ¶¶ 80-83, 85-87. On September 29, 2003, BRCP and CPD asserted a reply counterclaim for a declaratory judgment of non-infringement or invalidity of the two patents in the removed North Carolina action. See Defendant's Mem. at 4; id., Ex. 10 (Reply of BRCP and CPD to Counterclaims of ABC and Reply Counterclaim in the removed North Carolina action).

On September 5, 2003, ABC moved to consolidate the removed North Carolina action with the North Carolina federal action. See id., Ex. 11 (Defendant's Motion to Consolidate in the removed North Carolina action). BRCP and CPD consented to the consolidation, see id., Ex. 12 (Plaintiff's Response to Defendant's Motion to Consolidate in the removed North Carolina action), but the North Carolina federal court has not yet ruled on the motion, see Dockets for the North Carolina actions. ABC has also moved to transfer both North Carolina actions to this court.³ See id., Ex. 5 (Defendant's Motion to Transfer, Dismiss or Stay in the North Carolina federal action); Ex. 13 (Defendant's Motion to Transfer). BRCP and CPD have opposed ABC's motion to transfer the removed action largely for the same reasons asserted in support of the present Motion to Transfer. See id., Ex. 14 (Plaintiffs'

³ Technically, ABC has moved to transfer the North Carolina federal action to Rhode Island or dismiss or stay it. See Defendant's Mem., Ex. 5 (Defendant's Motion to Transfer, Dismiss or Stay in the North Carolina federal action).

Memorandum in Opposition to Defendant's Motion to Transfer in the removed North Carolina action).

Summary of Actions

In summary, there are currently three actions pending in the District Courts of the United States—one in this Court and two in the federal court in North Carolina.⁴ The actions presently involve four parties, ABC, Blue Rhino, and two of Blue Rhino's wholly owned subsidiaries, BRCP and CPD. All three actions have in common claims of patent infringement asserted by ABC involving the same two patents.

The Motion to Transfer

Blue Rhino filed the instant Motion to Transfer on October 16, 2003. ABC's objection to the Motion was filed on November 4, 2003. The court heard oral argument on December 5, 2003, and, thereafter, took the matter under advisement.

Law

"For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought." 28 U.S.C.A. § 1404(a)(1993). "The pendency of related litigation in another forum is a proper factor to be considered in resolving choice of venue questions" Codex Corp. v. Milgo Elec. Corp., 553 F.2d 735, 739 (1st Cir. 1977). However, this factor by itself is not sufficient to require

⁴ BRCP has moved for leave to file an amended complaint in the North Carolina federal action. See Defendant's Mem., Ex. 14 (Plaintiffs' Memorandum in Opposition to Defendant's Motion to Transfer in the removed North Carolina action) at 2 n.1. In the motion, BRCP seeks to add another Blue Rhino subsidiary, Blue Rhino Global Sourcing, LLC ("BRGS"), as a party plaintiff. See id. Additionally, the proposed amendment would add a claim for declaratory judgment of patent invalidity of the two patents asserted by ABC. See id.

transfer where other factors point in the other direction.
See id.

"[T]here is ordinarily a strong presumption in favor of the plaintiff's choice of forum, which may be overcome only when the private and public interest factors clearly point towards trial in the alternative forum." Piper Aircraft Co. v. Reyno, 454 U.S. 235, 255, 102 S.Ct. 252, 265-66, 70 L.Ed.2d 419 (1981); Gulf Oil Corp. v. Gilbert, 330 U.S. 501, 508, 67 S.Ct. 839, 843, 91 L.Ed. 1055 (1947)("[U]nless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed."); Paradis v. Dooley, 774 F.Supp. 79, 82 (D.R.I. 1991)(quoting Piper Aircraft and Gulf Oil); Ryan, Klimek, Ryan P'ship v. Royal Ins. Co., 695 F.Supp. 644, 647 (D.R.I. 1988) (quoting Piper Aircraft and citing Gulf Oil); Bertozzi v. King Louie Int'l, Inc., 420 F.Supp. 1166, 1173 (D.R.I. 1976)(quoting Gulf Oil).

The factors pertaining to the private interests of the litigants include[] the relative ease of access to sources of proof; availability of compulsory process for attendance of unwilling, and the cost of obtaining attendance of willing, witnesses; possibility of view of premises, if view would be appropriate to the action; and all other practical problems that make trial of a case easy, expeditious and inexpensive. The public factors bearing on the question include[] the administrative difficulties flowing from court congestion; the local interest in having localized controversies decided at home; the interest in having the trial of a diversity case in a forum that is at home with the law that must govern the action; the avoidance of unnecessary problems in conflict of laws, or in the application of foreign law; and the unfairness of burdening citizens in an unrelated forum with jury duty.

Piper Aircraft, 454 U.S. at 241 n.6, 102 S.Ct. at 258 n.6

(internal quotation marks and citations omitted); see also McGlynn v. Credit Store, Inc., 234 B.R. 576, 582 (D.R.I. 1999)(citing Gulf Oil); Paradis v. Dooley, 774 F.Supp. at 82 (quoting Piper). The burden is on the defendant to make the showing that the balance of these factors strongly favors transfer. See Bertozzi v. King Louie Int'l, Inc., 420 F.Supp. at 1173.

Where two or more suits have been filed in different forums, the first suit should have priority "unless there are other factors of substance which support the exercise of the court's discretion that the balance of convenience is in favor of proceeding first in another district." Kahn v. Gen. Motors Corp., 889 F.2d 1078, 1082-83 (Fed. Cir. 1989). "The first-filed action is preferred ... 'unless considerations of judicial and litigant economy, and the just and effective disposition of disputes, require otherwise.'" Serco Servs. Co. v. Kelley Co., 51 F.3d 1037, 1039 (Fed. Cir. 1995)(quoting Genentech, Inc. v. Eli Lilly & Co., 998 F.2d 931, 937 (Fed. Cir. 1993), abrogated on other grounds, Wilton v. Seven Falls Co., 515 U.S. 277, 289, 115 S.Ct. 2137, 2143-44, 132 L.Ed.2d 214 (1995)).

Discussion

Blue Rhino argues that the court should transfer this case for the convenience of the parties and witnesses and in the interest of justice. See Defendant's Mem. at 6. It contends that three factors point towards transferring the action to North Carolina. See id. at 7. First, Blue Rhino points to the pendency of the related litigation in North Carolina. See Codex Corp. v. Milgo Elec. Corp., 553 F.2d 735, 739 (1st Cir. 1977) (noting that the pendency of related litigation in another forum is a proper factor to be

considered in resolving choice of venue questions). It asserts that the North Carolina federal court cannot transfer the pending North Carolina actions to Rhode Island because this court allegedly lacks jurisdiction over Blue Rhino's wholly owned subsidiary, CPD. See Defendant's Mem. at 7-11. Consequently, according to Blue Rhino, North Carolina is the only forum where the rights and obligations of the various parties can be resolved in a single action. See id. at 15. Second, Blue Rhino notes that the North Carolina federal court is more familiar with North Carolina state law issues. See id. at 7. Third, Blue Rhino asks that the court consider the cost of attendance of willing witnesses. See id.

Addressing the first of these factors, this court is not convinced that Blue Rhino is correct in its contention that the North Carolina federal court cannot transfer the pending North Carolina actions to this court. See Defendant's Mem. at 7. Blue Rhino asserts that CPD is not subject to personal jurisdiction in Rhode Island, see id. at 8-9, and that the exercise of personal jurisdiction over CPD by this court would violate the due process clause, see id. at 9-11. However, the requirements for the exercise of personal jurisdiction apply to a defendant in a lawsuit—not to a plaintiff. See Keeton v. Hustler Magazine, Inc., 465 U.S. 770, 779, 104 S.Ct. 1473, 1480-81, 79 L.Ed.2d 790 (1984)(holding that a plaintiff is not required to have "minimum contacts" with the forum State before that State is permitted to assert personal jurisdiction over a non-resident defendant); Int'l Shoe Co. v. Washington, Office of Unemployment Compensation, 326 U.S. 310, 316, 66 S.Ct. 154, 158, 90 L.Ed. 95 (1945)("due process requires only that in order to subject a defendant to a judgment in personam, if he be not present within the territory of the

forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice") (internal quotation marks omitted). CPD is a plaintiff in the removed North Carolina action and has not been named as a defendant here.

In response, Blue Rhino argues that ABC by filing counterclaims against BRCP and CPD in the North Carolina court conferred on BRCP and CPD the status of counterclaim-defendants in addition to their pre-existing status as plaintiffs. See Defendant's Reply to Plaintiff's Opposition to Defendant's Motion to Transfer ("Defendant's Reply Mem.") at 1. Thus, according to Blue Rhino, in determining whether the North Carolina actions may be transferred to Rhode Island the proper inquiry is whether ABC's counterclaims are the type that "might have been brought," 28 U.S.C. § 1404(a), in Rhode Island. See id. at 2. As support for this approach, Blue Rhino cites Independent Bankers Ass'n of America v. Conover, 594 F.Supp. 635, 639 (N.D. Ill. 1984)("[T]he Court will consider [the counterclaim-plaintiff] to be the plaintiff and [the counterclaim-defendant] the defendant for purposes of proper venue under Section 1391(b), re: the counterclaim."), and Ballard Medical Products v. Concord Laboratories, Inc., 700 F.Supp. 796, 802 (D. Del. 1988)(stating that defendants must show that they could have brought the counterclaim in the transferee forum because the burden is on the moving party to establish venue in the transferee court). See Defendant's Reply Mem. at 2. Relying on this authority, Blue Rhino asserts ABC's counterclaims against CPD are not the type that might have been brought in this court because it allegedly lacks jurisdiction over CPD. See id.

Blue Rhino's argument is not persuasive for three

reasons. First, the United States Supreme Court has stated that "[s]ection 1404(a) directs the attention of the judge who is considering a transfer to the situation which existed when suit was instituted.'" Hoffman v. Blaski, 363 U.S. 335, 343, 80 S.Ct. 1084, 1089, 4 L.Ed.2d 1254 (1960)(quoting Paramount Pictures, Inc. v. Rodney, 186 F.2d 111, 119 (3rd Cir. 1951)(dissenting opinion)). The counter-claims which conferred on BRCP and CPD the status of counterclaim-defendants, in addition to the status of plaintiffs, had not been asserted when the North Carolina actions on which Blue Rhino relies were filed. In Hoffman the question was whether § 1404(a) empowered a district court to transfer, on motion of the defendant, a properly brought action to a district in which the plaintiff did not have a right to bring it. See id. at 336, 80 S.Ct. at 1085-86. While admittedly different than the question presented by the motions to transfer which have been filed in the North Carolina actions, the unequivocal nature of the Supreme Court's statement casts doubt on the correctness of Blue Rhino's argument. That doubt is increased by the Supreme Court's description of § 1404(a) as being "unambiguous, direct (and) clear.'" Id. at 343, 80 S.Ct. at 1089 (quoting Ex Parte Collett, 337 U.S. 55, 58, 69 S.Ct. 944, 946, 93 L.Ed. 1207 (1949)). Thus, the interpretation of § 1404(a) which Blue Rhino urges is at variance both with the plain language of the statute and the Supreme Court's explanation of how the words "might have been brought," id., are to be applied in considering a motion to transfer.

Second, the counterclaim defendants in Independent Bankers Association and Ballard appear to have been unrelated to the other parties involved in the controversy. Here, in contrast, the counterclaim defendants in the North Carolina

actions are wholly owned subsidiaries of Blue Rhino, and they are clearly under its complete control. CPD and Blue Rhino share the same address, 104 Cambridge Plaza Drive, Winston-Salem, North Carolina 27104. See Plaintiff's Mem., Ex. B (Annual Report for Business Corporations for CPD), C (2002 Annual Report for Blue Rhino) at 4. They share the same officers. Billy D. Prim is the President of CPD, see id., Ex. B, and the Chairman of the Board and Chief Executive Officer of Blue Rhino, see id., Ex. C at 4. Mark Castaneda is the Vice President/Treasurer of CPD, see id., Ex. B, and the Chief Financial Officer of Blue Rhino, see id., Ex. C at 4. The closeness of the relationship which exists among Blue Rhino, BRCP, and CPD is further reflected by the fact that BRCP and CPD are represented in the North Carolina actions by the same attorney, Michael S. Connor, and law firm, Alston & Bird LLP, See Defendant's Mem., Ex. 3 at 5; id., Ex. 7 at 10, and Mr. Connor argued the present Motion on behalf of Blue Rhino at the December 5, 2003, hearing.⁵

Blue Rhino emphasizes that the parties in the instant action and the proposed consolidated North Carolina actions are not identical. See, e.g., Defendant's Mem. at 12 ("BRCP and CPD are not parties to this case."). However, Blue Rhino has at times blurred the distinction between itself and its wholly owned subsidiaries. On its website, Blue Rhino asserts that "Blue Rhino SkeeterVac provides the commercial performance, technology, and quality of mosquito abatement products that typically cost over \$1,000." See

⁵ Blue Rhino is represented in this action by Attorney William P. Robinson, III, of the law firm of Edwards & Angell, LLP. See First Amended Answer and Counterclaim ("Amended Answer") of Blue Rhino Corporation at 13. Attorney Michael S. Connor is listed on the Amended Answer as "Of counsel." Id.

<http://66.242.244.123/SkeeterVac/AboutSkeeterVac/index.html> (last visited December 22, 2003). There is no mention of BRCP, the subsidiary which Blue Rhino alleges in the removed North Carolina action designs and sells the Skeetervac. See Defendant's Mem., Ex. 7 ¶ 7. Blue Rhino's 2002 Annual Report contains repeated references to the SkeeterVac as being Blue Rhino's product with no mention (at least in the six pages of the Report provided to the court) of either BRCP or CPD. See, e.g., Plaintiff's Mem., Ex. C at 2 ("The company plans to launch its own Blue Rhino™, brand of propane appliances, with the introduction of SkeeterVac™, a propane-powered mosquito eradicator for the backyard, expected in 2003."); id. at 3 ("We plan to take our Blue Rhino brand direct to the consumer by introducing the Blue Rhino SkeeterVac™ in 2003." (Letter to Stockholders from Billy Prim)); id. at 5 ("We plan to introduce the Blue Rhino SkeeterVac™, a propane-based mosquito eradication device that eliminates biting insects, in 2003."). Similarly, in the August 8, 2003, letter to an attorney representing ABC, Blue Rhino's counsel states:

As we discussed, our client is willing to resolve this matter amicably, provided the management of American Biophysics will take the necessary steps to instruct its employees not to make **misrepresentations regarding the nature, characteristics, and qualities of Blue Rhino's goods, services and commercial activities.**

See id., Ex. E (letter from Ward to Hess of 8/8/03)(bold added). The letter contains no reference to either BRCP or CPD. See id. Yet it appears that BRCP and CPD allege these same "misrepresentations" as a basis for their state law claims in the removed North Carolina action. See Defendant's Mem., Ex. 7 ¶¶ 17, 22, 28, 34. If the claims for misrepresentation

truly belong to BRCP and CPD (and not to Blue Rhino), the question arises as to why the August 8, 2003, offer to settle was not extended by those entities instead of by Blue Rhino.

These examples suggest to this court that Blue Rhino recognizes the corporate distinctions between itself and its subsidiaries when convenient or when it deems it to be in its interest to do so. Consequently, Blue Rhino's assertion that CPD had "no reason ... to anticipate being haled into court in Rhode Island," Defendant's Mem. at 10, rings less than true. If Blue Rhino, which is admittedly subject to suit in Rhode Island, can assert and offer to settle claims belonging only to BRCP and CPD, neither of those entities should be surprised if they are required to litigate those claims in Rhode Island.

This circumstance provides an additional basis for distinguishing the Ballard case from the present dispute. The court in Ballard stated that "[a]lthough counterclaim defendant Radford chose Delaware as the forum in which to litigate his claim for § 1404 purposes, **he cannot be said to have contemplated the filing of an antitrust counterclaim against him by defendants.**" Ballard Med. Prods. v. Concord Labs., Inc., 700 F.Supp. 796, 802 (D. Del. 1988)(bold added). The same cannot be said of CPD relative to this forum. It is hardly likely that CPD in filing its action against ABC did not contemplate that ABC would assert counterclaims for infringement. Given the prior exchanges between Blue Rhino and ABC, see Plaintiff's Mem., Ex. A (Letter from Hess to Ward of 7/22/03); id., Ex. F (Letter from Ward to Iannetta of 5/22/03), and, most significantly, the filing of this lawsuit, such a result should have been expected. Indeed, it is not unreasonable to believe that Blue Rhino caused CPD and BRCP to initiate their action for the purpose of inducing ABC to assert

its infringement counterclaims in order to create a basis for transferring this action to North Carolina.

Third, Blue Rhino's argument, that this case should be transferred to North Carolina because its holding company CPD is allegedly not subject to jurisdiction here, is similar to the argument which was firmly rejected by the Court of Appeals for the Federal Circuit in Dainippon Screen Manufacturing Co. v. CFMT, Inc., 142 F.3d 1266 (Fed. Cir. 1998). In that action, the plaintiff filed a complaint for declaratory judgment against a competitor and a holding company which held the competitor's intellectual property and was a wholly owned subsidiary of the competitor. See id. at 1267. The defendants sought to dismiss the action on the grounds that (1) there was no justiciable controversy and (2) that the district court lacked jurisdiction over the holding company, a party the defendants contended was necessary and indispensable. See id. at 1268. The district court rejected the first ground but agreed that it lacked personal jurisdiction over the holding company and also that the holding company was an indispensable party. See id. at 1268-69. It dismissed the action. See id. at 1269. The Federal Circuit reversed. See id. at 1273. In doing so it stated:

Stripped to its essentials, CFM contends that a parent company can incorporate a holding company in another state, transfer its patents to the holding company, arrange to have those patents licensed back to itself by virtue of its complete control over the holding company, and threaten its competitors with infringement without fear of being a declaratory judgment defendant, save perhaps in the state of incorporation of the holding company. This argument qualifies for one of our "chutzpah" awards.

Dainippon Screen Mfr. Co. v. CFMT, Inc., 142 F.3d at 1271.

Here Blue Rhino has incorporated CPD, an intellectual property holding company, see Defendant's Mem., Ex. 15 ¶ 6, in its home state of North Carolina, see id. ¶ 2, transferred its patents, trademarks, and copyrights to CPD, see id. ¶ 6, arranged to have this intellectual property licensed back to itself and two other wholly owned subsidiaries (BRCP and Blue Rhino Global Sourcing) by virtue of its complete control over CPD, see id., and now argues that ABC's first filed patent infringement action should be transferred to North Carolina because CPD is allegedly not subject to personal jurisdiction in Rhode Island, see Defendant's Mem. at 7-16. If, as Blue Rhino presumably contends, CPD is not subject to suit in any state except North Carolina, see Defendant's Mem., Ex. 15 ¶¶ 3-11, whenever Blue Rhino is sued for patent infringement in a forum other than North Carolina, all that Blue Rhino need do to create a basis for transfer of the action is to have CPD commence a related action in North Carolina against the party claiming infringement, thereby causing that party to assert its claim of patent infringement as a counterclaim.

To paraphrase the Dainippon court, while a patent holding subsidiary is a legitimate creature and may provide certain business advantages, it cannot fairly be used to insulate a parent corporation from defending patent infringement actions in those fora where the parent corporation operates and engages in activities sufficient to create personal jurisdiction. See Dainippon Screen Mfr. Co. v. CFMT, Inc., 142 F.3d at 1271; cf. Bellomo v. Pennsylvania Life Co., 488 F.Supp. 744, 747 (S.D.N.Y. 1980) (subjecting holding company to jurisdiction based on activities of several subsidiaries). In sum, this court is unpersuaded that the North Carolina federal court cannot transfer the action involving CPD to this court.

Blue Rhino also argues that “[i]f this case is not transferred to the Middle District of North Carolina the result will be multiple actions in two separate federal courts,” Defendant’s Mem. at 6, and that “[t]he risks of such a result are all too familiar in federal court jurisprudence,” id. Of course, this scenario is premised on Blue Rhino’s belief that CPD is not subject to jurisdiction in Rhode Island and that the North Carolina actions cannot be transferred to Rhode Island. As explained above, this court is not persuaded that Blue Rhino is correct in this proposition. However, even assuming that CPD must be treated as a defendant for purposes of the instant Motion, that CPD does not have sufficient “minimum contacts,” Int’l Shoe v. Washington Office of Unemployment Compensation, 326 U.S. 310, 316, 66 S.Ct. 154, 158, 90 L.Ed.2d 95 (1945), with Rhode Island, and that Blue Rhino’s contacts with Rhode Island cannot be attributed to CPD for purposes of determining “minimum contacts,” id., this court is still troubled by the fact that Blue Rhino appears to have filed the North Carolina actions in an attempt to manipulate the venue of this case.

The complaint filed in the North Carolina federal action specifically references the Rhode Island action. See Defendant’s Mem., Ex. 3 ¶ 12. Although the complaint filed one day later in the removed North Carolina action lacks a similar reference, both of those complaints were signed by the same attorney, Michael S. Connor. See id., Ex. 3 at 5; id., Ex. 7 at 10. Thus, the court finds that Blue Rhino had knowledge of the present action when it filed the two North Carolina actions and also finds that it had sufficient time to reflect and consider the effect of filing those actions.

Blue Rhino could have litigated its claims as counterclaims in this action (or in a separately filed action

in this district). Instead it commenced two new actions in North Carolina, thereby creating the related litigation on which it now primarily relies as a basis for transfer. Blue Rhino included in the removed North Carolina action a claim for cybersquatting, see Defendant's Mem., Ex. 7 ¶¶ 39-44, even though ABC had already relinquished its rights to the domain name skeeter-vac.com and notified Blue Rhino of this fact, see Plaintiff's Mem., Ex. A (Letter from Hess to Ward of 7/22/03). Although Blue Rhino suggests that it is in the interest of judicial economy for this action to be transferred and consolidated with the North Carolina actions, see Defendant's Mem. at 11, judicial economy appears not to have been a substantial concern when Blue Rhino filed the North Carolina actions.

If the court were to grant the Motion to Transfer on the basis that it will avoid multiple actions, the court would in effect be rewarding the party that created the problem. Other litigants (in circumstances similar to those of Blue Rhino here) would be encouraged to follow Blue Rhino's course and commence actions in other districts in the hope of obtaining a transfer to that district instead of asserting their claims in a counterclaim (or moving to intervene or filing a separate action) in the district where the first action had been filed. Such a result would be harmful to the judicial system as a whole and would not be in the interest of justice. In sum, on the facts of this case, the court finds that pendency of the related litigation in North Carolina is not by itself a sufficient reason to transfer this action.

Turning now to the second factor cited by Blue Rhino for transferring this case to North Carolina, the North Carolina federal court's greater familiarity with North Carolina law, at

present this action does not involve North Carolina law. It is possible that it never will. The North Carolina court could decide to sever the state law claims and transfer only the federal claims to Rhode Island. However, assuming that the motions for consolidation which are pending in North Carolina are granted and the state law claims are not severed, this court does not find that the North Carolina federal court's familiarity with North Carolina law weighs heavily in favor of transfer. This court has on many occasions been called upon to apply the law of other states, and it is confident that it could do so adequately in this instance. Thus, while this factor weighs in favor of transfer, it does not do so heavily.

As for the third factor identified by Blue Rhino, the cost of attendance of willing witnesses, Blue Rhino does not specifically identify who these witnesses are. Presumably Blue Rhino has in mind its own employees and those of its subsidiaries. However, all of ABC's employees are based in Rhode Island. See Plaintiff's Mem. at 4. The named inventors on ABC's patents-at-issue are also located in Rhode Island. See id. Therefore, this court fails to see how this factor weighs in favor of transfer. See Zahn v. Yucaipa Capital Fund, 218 B.R. 656, 678 (D.R.I. 1998)("[T]ransfer is inappropriate if it merely shifts inconvenience from one party to the other. Section 1404(a) provides for transfer to a more convenient forum, not to a forum likely to prove equally convenient or inconvenient.") (citations and internal quotation marks omitted); Ballard Med. Prods. v. Concord Labs, Inc., 700 F.Supp. 796, 801 (D. Del. 1988)("If the transfer would merely switch the inconvenience from defendant to plaintiff, the transfer should not be allowed.").

In summary, the court finds that the three factors cited

by Blue Rhino as favoring transfer are insufficient to overcome the strong presumption in favor of Plaintiff's choice of forum, see Law supra at 5, and also insufficient to justify disregard of the first-filed rule in patent cases, see Genentech, Inc. v. Eli Lilly & Co., 998 F.2d 931, 937 (Fed. Cir. 1993), abrogated on other grounds, Wilton v. Seven Falls Co., 515 U.S. 277, 289, 115 S.Ct. 2137, 2143-44, 132 L.Ed.2d 214 (1995).

The court considers briefly the other factors that bear on the question of which forum is most appropriate. See Piper Aircraft Co. v Reyno, 454 U.S. 235, 241 n.6, 102 S.Ct. 252, 258 n.6, 70 L.Ed.2d 419 (1981)(listing factors).

Ease of Access to Proof

As previously noted, it appears that all of ABC's employees are located in Rhode Island, see Plaintiff's Mem. at 4, as are the inventors of the patents at issue, see Complaint, Ex. A, C (the patents). While Blue Rhino's witnesses are presumably located in North Carolina, see Defendant's Mem., Ex. 15 ¶ 6 (stating that Blue Rhino and its subsidiaries have their principal place of business in North Carolina), and will have to travel to Rhode Island, the court finds the presence in this district of the inventors makes this factor weigh slightly in favor of retaining jurisdiction in Rhode Island.

Availability of Compulsory Process

Blue Rhino has not presented any evidence that there are witnesses whose attendance cannot be secured unless the case is transferred to North Carolina. Therefore, this factor does not support transfer.

Ease of View

Neither party has indicated that a view will be required. The only two locations which the court can conceive as possible view sites are the parties' respective plants and they are

located in different states. Thus, a transfer would not provide any appreciable benefit. Therefore, to the limited extent that this factor may be relevant, it does not favor transfer.

Enforceability of Judgment

There is no reason to believe that a judgment obtained in Rhode Island would be any less enforceable than one obtained in North Carolina. This consideration does not counsel transfer.

Advantages and Obstacles to a Fair Trial

Blue Rhino has not presented any evidence which would allow this court to conclude that there is any obstacle to a fair trial being obtained in Rhode Island or that there is some advantage in this regard to having the trial in North Carolina. The court does not find that this factor supports transfer.

Status of the Court's Trial Calendar

This court's trial calendar is relatively current. The court has no knowledge of the status of the North Carolina court's calendar, but given the current state of its own calendar the court is comfortable finding that this consideration does not favor transfer.

In conclusion, it is clear that none of the other factors which the court is required to consider weigh in favor of transferring this action to North Carolina. Therefore, I find that Blue Rhino has not carried its burden of demonstrating that the strong presumption in favor of Plaintiff's choice of forum should be disregarded. I also find that it has not shown that a sufficient basis exists for this court to disregard the first-filed rule in patent cases. Accordingly, the Motion should be denied.

Conclusion

For the foregoing reasons, I recommend that Blue Rhino's

Motion to Transfer be denied. Any objections to this Report and Recommendation must be specific and must be filed with the Clerk of Court within ten (10) days of its receipt. See Fed R. Civ. P. 72(b); D.R.I. Local R. 32. Failure to file specific objections in a timely manner constitutes waiver of the right to review by the district court and of the right to appeal the district court's decision. See United States v. Valencia-Copete, 792 F.2d 4, 6 (1st Cir. 1986); Park Motor Mart, Inc. v. Ford Motor Co., 616 F.2d 603, 605 (1st Cir. 1980).

David L. Martin
United States Magistrate Judge
December 22, 2003